

## 1997 SMALL BUSINESS PROFILE

### SMALL BUSINESS: BACKBONE OF THE MINNESOTA ECONOMY

The importance of small business to the state of Minnesota is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

**Number of Businesses** - In 1996, Minnesota had 124,514 businesses with employees; 98.0 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 175,000 self-employed persons in 1996, for an estimated total of 299,514 businesses.

**Small Business Income** - The income of sole proprietors and partners rose 7.0 percent to \$7.8 billion in 1996, while wage-and-salary income rose 8.5 percent. Total personal income rose 8.4 percent to \$79.9 billion. The state also exported \$13.9 billion of goods in 1996.

**Minority Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 166,400 women-owned businesses in Minnesota, including part-time firms, employing 349,800 people and generating \$42.3 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 73.5 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 92.3 percent from 1987 to 1992, totaling 2,785 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 110.8 percent during the same time period with 1,583 firms in 1992. There has also been an increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 2,024 in 1987, to 3,168 in 1992, representing a 56.5 percent increase.

**Business Turnover** - The number of new firms increased 11.3 percent, while new business incorporations increased 3.6 percent in 1996. Financial difficulties leading to business bankruptcies increased by 18.4 percent and business failures decreased by 34.3 percent during 1996.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Minnesota decreased from 566 in 1994 to 525 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
FIRST NB OF BLUE EARTH	Blue Earth
GRAND MARAIS ST BK	Grand Marais
STATE BK OF YOUNG AMERICA	Young America
CITIZENS ST BK	East Grand Forks
PIONEER NB OF DULUTH	Duluth
FIRST ST BK OF EXCELSIOR	Shorewood
CITIZENS ST BK OF ST JAMES	Saint James
SECURITY ST BK OF HIBBING	Hibbing
COMMUNITY FIRST NB	Little Falls
HIGHLAND BK	Saint Michael
FIRST NB OF WALKER	Walker
COMMUNITY FIRST NB	Fergus Falls
MARQUETTE BK NA	Golden Valley
NORWEST BK MN SOUTH NA	Rochester
FIRST BK NA	Minneapolis
NORWEST BK MN NA	Minneapolis

**Job Growth** - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 60.8 percent of the small business growth with 133,854 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	92,423	41,431	30,444	56,011	(40,999)	179,309
Manufacturing	4,420	8,801	10,394	15,808	(20,214)	19,208
Retail Trade	14,923	4,517	3,394	12,391	(3,427)	31,798
Services	51,014	17,844	14,545	19,820	(16,640)	86,581
Other	22,065	10,269	2,111	7,991	(717)	41,721

**Industries** - The composition of small business in Minnesota is very diverse. The Health Services industry is the largest small business employer in Minnesota, followed by Eating & Drinking Places. The fastest growing industry for small business is Educational Services (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Minnesota by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	1,995,049	100.0	54.7
Health Services	8000	236,578	11.9	42.0
Eating & Drinking Places	5800	139,824	7.0	68.9
Business Services	7300	127,181	6.4	53.0
Wholesale Trade - Durable Goods	5000	83,439	4.2	71.8
Miscellaneous Retail	5900	67,828	3.4	58.4

Table 2, Top Five Small Business Industries in Minnesota by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	1,090,748	100.0	54.7
Health Services	8000	99,335	11.9	42.0
Eating & Drinking Places	5800	96,313	7.0	68.9
Business Services	7300	67,461	6.4	53.0
Wholesale Trade - Durable Goods	5000	59,934	4.2	71.8
Membership Organizations	8600	52,705	2.8	94.6

Table 3, Fastest Growing Industries for Small Business in Minnesota, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	1,072,634	1,090,748	18,114	1.7
Educational Services	17,683	20,176	2,493	14.1
Primary Metal Industries	4,794	5,351	557	11.6
Transportation Equipment	3,838	4,218	380	9.9
Automotive Repair, Services, & Parking	14,399	15,665	1,266	8.8
Business Services	62,106	67,461	5,355	8.6

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.